



2019 FISCAL COMPLIANCE UPDATES

April 16th, 2019

OVERVIEW

- In compliance with 2 CFR 200.331(e), ICCB created a new grant monitoring procedure.
- Scheduling will be driven by a risk assessment rather than on a cyclical basis
- 4 Exhibits (Elevated Risk Only)
 - Exhibit 1 – Risk notification
 - Exhibit 2 – Monitoring Notification
 - Exhibit 3 – Documentation Request
 - Exhibit 4 – Final Report

RISK DESIGNATIONS

- **Elevated Risk:** Grantees designated as elevated risk will receive an on-site visit from ICCB fiscal and program staff for a review of all grants awarded to the grantee by the ICCB during the applicable monitoring period. A detailed report will be issued after the review.
- **Moderate Risk:** Grantees designated as moderate risk will be subject to a desk review, conducted by ICCB fiscal and program staff, of all grants received from the ICCB during the applicable monitoring period. A short report will be issued after the review.
- **Low Risk:** Grantees designated as low risk will be subject to a fiscal desk review. This process will involve an ICCB-conducted fiscal reconciliation of a grantee's expenditure reports, payment invoices, audited financials, and Consolidated Year End Financial Report (CYEFR).

LOW RISK MONITORING PROCESS

- Fiscal Desk Review
 - Collection and review of grantee's audit
 - Review of all GATA-related materials
 - Internal Controls Questionnaire (ICQ)
 - Consolidated Year End Financial Report (CYEFR)
 - Audit Package
 - Review of Payment Invoices
 - Review of Expenditure Reports

MODERATE RISK MONITORING PROCESS

- Fiscal Desk Review
 - Collection and review of grantee's audit
 - Review of all GATA-related materials
 - Internal Controls Questionnaire (ICQ)
 - Consolidated Year End Financial Report (CYEFR)
 - Audit Package
 - Review of Payment Invoices
 - Review of Expenditure Reports
- Programmatic Desk Review

ELEVATED RISK MONITORING PROCESS

- EXHIBIT 1 – RISK NOTIFICATION

- Sent out at the beginning of every calendar year
- Informs grantees of their Risk Designation
- Explains differences in Risk Designation levels
- Provides a brief analysis of a grantee's risk designation (for moderate and elevated)

ELEVATED RISK MONITORING PROCESS

- EXHIBIT 2 – AUDIT NOTIFICATION

- Notifies Elevated Risk grantees of an upcoming on-site grant monitoring visit
- Sent in the form of an email
 - Attachments include:
 - Exhibit 3 - Documentation Request
 - Programmatic self-evaluation template
 - Non-Salaried Expenditure worksheet
- Colleges will have 1 week to respond to this email

ELEVATED RISK MONITORING PROCESS

- EXHIBIT 3 – DOCUMENTATION REQUEST

- To be sent in the form of an attachment to Exhibit 2.
- Details the on-site grant monitoring process.
 - GATA:
 - Responses required for all ICQ Conditions
 - Fiscal:
 - Inventory lists, time distribution sheets, non-salaried expenditure worksheet, payroll ledger
 - To be provided prior to on-site visit
 - Programmatic
 - All requested programmatic documentation.

ELEVATED RISK MONITORING PROCESS

- EXHIBIT 4 – FINAL REPORT

- Details what was covered throughout the monitoring process and lists all Compliance Findings and Advisory Recommendations.
- Colleges will be sent a draft report before the Final Report is issued to ensure all data is displayed accurately.
- Colleges will have 2 weeks after the Final Report is issued to respond to ICCB with a Corrective Action plan for all Compliance Findings

HOW DO I CHANGE MY RISK DESIGNATION?

- Risk Assessment Factors:
 - Controlled by ICCB:
 - Years since grantee has last been monitored
 - Total amount of grant funds received by grantee
 - Controlled by Grantee:
 - Timeliness of submissions
 - Compliance findings in previous grant monitoring visits
 - Number of conditions on ICQ
 - Number of significant deficiencies and/or material weaknesses in most recent audit
- Every grantee will be elevated risk at some point in time
- Most grantees are Moderate Risk
- Very few are Low Risk

GATA - CONTINUED

- Indirect Cost Negotiation
 - Providers who do not submit Indirect Cost Rate Proposals will not receive any Indirect funds. If you have already taken the 5%, you will have to pay it back.
- Internal Control Questionnaire (ICQ) is required annually
- ICQ drives the risk assessment assigned to the grantee
- ICQ answers will now be reviewed and monitored by ICCB
- GATA rules are moving through JCAR

COMMON ICQ CONDITIONS

- 1) Audit Section
 - For some reason many colleges have marked that they do not conduct a Single Audit. All colleges conduct a Single Audit.
 - Audit contained findings: showed material weaknesses or significant deficiencies.
 - Changes in key Fiscal/Administrative management.
- 2) Fraud, Waste, and Abuse
 - Must have Fraud Awareness policy that is regularly communicated to employees
 - Must have a way for employees to anonymously report fraud
 - Must have whistleblower protection in place
- 3) Financial and Regulatory Reporting
 - Does the organization have performance measures that tie to financial data?

GRANT FISCAL MONITORING

- Heavy emphasis on Uniform Grant Guidance (2 CFR 200)
- GATA adopted Federal Rules for State Grants
- Common Findings –
 - Equipment/Inventory listing (2 CFR 200.313)
 - Promotional Materials
 - DOES NOT INCLUDE SWAG ITEMS
 - Food and Beverage
 - High Burden of Proof
 - College programmatic staff should consult with fiscal staff before authorizing purchases to ensure compliance with Federal rules

200.438: ENTERTAINMENT COSTS

- Rule: “Costs of Entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency.”

WHAT THIS MEANS

- Entertainment Costs Include:
 - Parties
 - Snacks,
 - Prizes for perfect attendance, high test scores, etc.
- These are not allowable without written approval.
- Written approval will not be given unless the provider can show the expenditure has a **Necessary** programmatic purpose.

200.423: ALCOHOLIC BEVERAGES

- Rule: “Costs of alcoholic beverages are unallowable”
- What this means: Alcoholic beverages are unallowable. However, in the rarest of circumstances, alcohol can be purchased if it is a supply.
 - Example: Wine to cook with in a culinary program
- It is highly recommended that alcohol not be purchased without prior written approval from ICCB.

200.313 EQUIPMENT

- Procedures for managing equipment must meet the following requirements:
 - Property Records
 - Description, serial number or other ID, source of funding, title, acquisition date and cost, percent of federal participation , location, use and condition, and ultimate disposition date including sale price
 - A physical inventory must be conducted at least every two years
 - Control system to prevent loss, damage, and theft
 - All incidents must be investigated
 - Adequate maintenance procedures
 - If authorized or required to sell property, proper sales procedures must be in place to ensure the highest possible return.
 - \$500 Non-Expendable items must be inventoried

200.421 ADVERTISING & PUBLIC RELATIONS

- Allowable Advertising costs include:
 - Recruitment of personnel required by the non-Federal entity for performance of the financial award.
 - Procurement of goods and services for the performance of a Federal award
 - The disposal of scrap or surplus materials acquired in the performance of a Federal award except when non-Federal entities are reimbursed for disposal costs at a predetermined amount.
 - Program outreach and other specific purposes necessary to meet the requirements of the award.

200.421(E): ADVERTISING AND PUBLIC RELATIONS

- Rule: Unallowable advertising and public relations costs include the following:
- Costs of meetings, conventions, convocations, or other events related to other activities of the entity, including:
 - Costs of displays, demonstrations, and exhibits;
 - Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and
 - Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;
 - **Costs of promotional items and memorabilia, including models, gifts, and souvenirs;**
 - Costs of advertising and public relations designed solely to promote the non-Federal entity.

WHAT THIS MEANS

- Advertising expenditures must be specifically for the program.
- Advertising for the college as a whole is unallowable.
- Examples of Unallowable Advertising Costs:
 - SWAG bag promotional gifts (T-Shirts, Mugs, Hats, etc.)
 - Salary expense for people setting up career-fair booths.
 - Most convocation costs
- **It is recommended that providers obtain written approval before spending grant funds on advertising.**

200.467 SELLING AND MARKETING COSTS

- Rule: “Costs of selling and marketing any products or services of the non-federal entity (Unless allowed under 200.421) are unallowable, except as direct costs, with prior approval by the Federal awarding agency when necessary for the performance of the Federal award”.

GIFT CARDS

- According to the IRS, gift cards are cash equivalents.
- Giving gift cards to students or instructors, regardless of the circumstance, is seen as the same as giving cash.
- Gift cards are not allowed to be purchased with grant funds.

TRANSPORTATION

- If you are paying for transportation for students and staff must be on a reimbursement method and proper backup documentation must be maintained.
- Any college policies must, at minimum, meet the Federal rules and requirements for transportation for students.
 - i.e, if your college accepts the state rate for travel reimbursement for employees, the same rule applies for students.
 - Students and staff cannot be given different reimbursement for travel costs.
 - Travel reimbursement policies are the same across all sources of funding.
 - Ex. Grant or O&M

UNIFORMS

- Allowable as supply expenses, however, supplies cannot be given to students to keep.
- Uniforms are the same as tools (wrenches, stethoscopes, thermometers, welding machines, etc.)
- If Uniforms are bought with grant funds, they must be maintained by the colleges and must have proper safeguards to prevent theft, mistreatment, etc.

GRANT ACCOUNTABILITY & TRANSPARENCY ACT (GATA)

Stop Payment List:

If a grantee is placed on the Illinois Stop Payment List, State agencies are instructed to refrain from executing or modifying grant agreements that would increase funding to that grantee. State agencies should not request or allow a payment to a grantee on the Illinois Stop Payment List. Grantees on the Illinois Stop Payment List may have grant funding withheld from other State agencies until the noncompliance issue is resolved (*still being developed*).

QUESTIONS?